

**MONTANA HOUSE OF REPRESENTATIVES
58th LEGISLATURE - REGULAR SESSION**

**JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND
COMMERCE**

Call to Order: By **CHAIRMAN PATTISON**, on January 8, 2003 at 8
A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Jeff Pattison, Chairman (R)
Sen. Bill Tash, Vice Chairman (R)
Sen. Edward Butcher (R)
Rep. John Musgrove (D)
Sen. Linda Nelson (D)
Rep. Rick Ripley (R)
Sen. Debbie Shea (D)

Members Excused: None.

Members Absent: None.

Staff Present: Kelly Gorin, OBPP
Gary Hamel, Legislative Branch
Elaine Olsen, Committee Secretary
Doug Schmitz, OBPP
Todd Younkin, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.
Tape time stamp refers to the material following.

Committee Business Summary:

Hearing: 01/08/2003

EXECUTIVE ACTION ON FISH WILDLIFE AND PARKS GROUNDS MAINTENANCE

HEARING ON FISH WILDLIFE AND PARKS

Doug Monger, Division Administrator for the Parks Division of Montana Fish Wildlife and Parks (FWP), addressed the sub-committee, requesting a \$0.01 increase per square foot of property from state agencies for the Proprietary Fund used to maintain 90 acres of Capitol grounds.

FWP is charged with the year-round maintenance of the grounds including care for lawns, trees, monuments, the summer floral display, and winter snow removal from sidewalks. Since 1998, when FWP demonstrated with competitive bid that they could fulfill the contracts, the Department has done most of the maintenance. Fertilizing, weed control and tree trimming are still let for competitive bidding.

Currently agencies are paying \$0.37 per square foot which is \$0.04 per square foot cheaper than the competitive bid rate. The \$0.01 increase represents about a one percent increase in cost over the time period 1998 to 2005.

Doug Monger noted that labor costs have increased 3-4% in that time period. Saving efforts by FWP include delaying equipment replacement, reduce amount of watering, fertilizing and care for areas less visible to the public. Current expenditures are divided 50 percent for personal services of six FTE, including three seasonal and three permanent employees, including call-in staff for snow removal. Contracts for services accounts for the remaining 50 percent of the expenditures.

Doug Monger stated the \$0.01 increase would generate an estimated \$7,241 per year. The 60-day operating reserve balance is currently too low and expenditures will exceed the necessary reserve.

Doug Monger asked for Executive Action today because the additional \$0.01 per square foot would impact the budget of each state agency.

Questions from Committee Members and Responses:

{Tape: 1; Side: A; Approx. Time Counter: 25 - 28}

SEN. NELSON asked **Doug Monger** where the one percent increase figure was derived. **Doug Monger** replied that the \$0.01 is

roughly one percent increase of the current \$0.37 per square foot rate.

REP. RIPLEY asked if the contracts are let out to bid annually. **Doug Monger** replied that they have not held a competitive bid since 1998.

EXECUTIVE ACTION ON FWP CAPITOL GROUNDS MAINTENANCE RATE INCREASE

Motion/Vote: **SEN. TASH** moved that **\$0.01 PER SQ FT INCREASE IN FWP CAPITOL GROUNDS MAINTENANCE FEE DO PASS**. Motion carried 4-3 with **SEN BUTCHER, REPS. PATTISON, AND RIPLEY** voting no.

{Tape: 1; Side: B; Approx. Time Counter: 1 - 20}

HEARING ON COAL TRUST SEVERANCE TAX

Todd Younkin, Legislative Fiscal Division (LFD), introduced the Executive proposal for the Coal Board for 2004, a \$1.1 million appropriation, noting that it is recommended to be biennial. He provided a fact sheet on the Coal Severance Tax Shared State Special Revenue Account. Based on the revenue projections as accepted by the Revenue and Transportation Committee, the executive proposed allocation exceeds the revenue in the account by \$84,000. Coal Board grants are often their own entity.

EXHIBIT (jnh03a01)

Todd Younkin confirmed for **CHAIRMAN PATTISON** that under current law, the Coal Severance Tax is at 7.75 percent. **CHAIRMAN PATTISON** questioned the impact of HB177 which is pending. **Todd Younkin** replied that it is his understanding that HB177 does reduce the allocation of coal severance taxes into the shared account from 7.75 percent to 4.18 percent which would effectively reduce the money available by approximately 50 percent. **CHAIRMAN PATTISON** stated the committee would assume the 7.75 percent for current funding until action is taken on HB177.

SEN. SHEA asked **Todd Younkin** what amount of the fund is not spent annually. **Todd Younkin** stated that the account is pretty much spent. During the special session the Governor's reductions reduced expenditures out of the fund which would have affected the general fund by the transferring of any unreserved fund balance. The percentage allocation was amended to 6.01 percent to accommodate the decreased appropriations. This effected the

general fund because less collections were transferred into the shared account initially.

Doug Schmitz, Office of Budget and Program Planning (OBPP), stated that HB10 last session reduced the shared account from 8.36 to 4.18 and during the process of the special session it was amended upward to accommodate some changes were added back. Any unappropriated amount also goes to the general fund. Part of the executive balancing process in trying to meet the deficits was to recommend that this account be reduced to 4.18 percent, the balance then is deposited to the general fund.

Newell Anderson, Administrator of the Community Development Division of the Department of Commerce (DOC), submitted a brief summary of the Coal Board, Coal Severance Tax, and the Local Impact Account. He described the funding history, funds expended and the resulting grants awarded.

EXHIBIT (jnh03a02)

Newell Anderson, noted that the DOC is making a request for an amendment to the allocation of the shared accounts. A new revenue estimate for the coal tax receipts caused the budget office to adjust where the coal tax is going to go and to do that quickly, they adjusted the entire discrepancy to the Coal Board rather than allocating it to the four shared accounts. Exhibit 1 shows the proposed reallocation of the \$216,000 discrepancy between the four agencies.

Doug Schmitz, OBPP, stated that he concurred with the reallocation as indicated in Exhibit 1, which is the same allocation. Mr. Schmitz stated the budget office is perfectly willing to support this reallocation based on the same percentage that was allocated in the first place with the other shared monies. The OBPP wholeheartedly supports the reallocation between the four agencies.

Newell Anderson requested a global amendment for the reallocation through executive action. **CHAIRMAN PATTISON** noted that no executive action would be taken today, but the global action and the language would be considered.

{Tape: 1; Side: B; Approx. Time Counter: 21 - 30}

Proponents:

Alan Evan, member of the **Montana Coal Board** since mid-80's, spoke referencing background of the coal severance tax and the legislative intent that it be used for impact mitigation in Coal Country. Since 1980's allocations have become an example for proper administration for the state of Montana with administrative costs of two percent.

Roger Knapp, member of **Montana Coal Board**, requested continued use of coal impact monies for local projects.

Steve Wade spoke about the **Roundup Power Project**, a coal-fired plant near the Bull Mountain Mine near Roundup. Permits have been applied for, preliminary draft determinations have been issued, a draft EIS has been issued, public comment and public hearings have been held and the Department is compiling a response to those comments. A decision is expected sometime later this month. Project is anticipated to be a \$9 million project.

Gary Amestoy spoke for VMPI Investments Inc., permit holders for the underground coal mine near Roundup, the Bull Mountain Coal mine. VMPI Investments Inc. has been updating the permits to meet any statutory or rules changes, updating environmental permits and rehabing the underground mine operation. The permit will allow for the production of four million tons of coal a year. Operation may begin this summer.

John Williams, Mayor of Colstrip, spoke referencing the impact of development and decline experienced by communities in Coal Country. He urged continued consideration of coal impact funds for those local governmental entities.

REP. ALAN OLSON, HD8, stated that HB495 has helped a lot of central Montana communities. Along with the coal development have come impacts, and he asked for careful consideration of current assistance and requested that the committee continue that assistance by restoring full funding.

{Tape: 2; Side: A; Approx. Time Counter: 1 - 24}

Joan Stahl, Commissioner from Rosebud County, spoke in opposition to any reduction to coal tax money. She addressed need for assistance for road maintenance. **Joan Stahl** stated that the Coal Board is conscientious in seeing that applicants consider other funding sources.

EXHIBIT (jnh03a05)

Vicki Steiner, Executive Director of the Montana Oil, Gas and Coal Counties, offered that she would be available to research information the committee might need. Energy counties are very anxious for resource development. Coal Board impact funds go hand in hand for resource development.

Bill Edwards, City Councilmen, Roundup, stated that as one of Montana's poorest counties it does not have the taxing ability to take care of the of the impact. **Bill Edwards** requested that the committee maintain the current funding level or increase it if possible.

John Pretty On Top, Chairman, Big Horn County Commission, stated that the four coal mines in Big Horn county brings millions of dollars into Montana. The dollars are going out of Big Horn county. The gross proceeds tax brought money to the county but that tax has been eliminated. The state sunsetted the equipment and business tax. Schools are experiencing declining enrollment, and roads are in need of repair.

Brian Adolph, Chairman, County Commission, Musselshell County, stated the impact of the proposed coal mine and plant would be positive for Musselshell county. **Brian Adolph** stated the per capita income in Musselshell County is \$14,800, and he asked for continuation of coal impact monies.

Jay Erdie, Superintendent of Schools for Roundup, provided written testimony and spoke to the committee. He stated the school system was anticipating Bull Mountain Mine opening. Coal impact funds could mitigate impacts on counties and municipalities and associated school districts. **Jay Erdie** asked that the committee consider \$2.3 million in funding for the 2005 biennium.

EXHIBIT (jnh03a03)

Mac Cole, Hysham, stated that some companies did leave Montana but may come back as Montana has 119 billion tons of coal; it is the largest coal state in the union. Many areas in coal country face potential development. Citizens in the area have established Montanans for Responsible Energy Development, pushing for responsible development of all forms of energy development. He requested the Coal Boards monies be kept at their present level or increased.

Willy Duffield, Assistant Director of the Montana Oil Gas and Coal Counties Association, submitted written testimony from Powder River Board of County Commissioners.

EXHIBIT(jnh03a04)

Bill Kennedy, Yellowstone County Commissioner, representing Montana Association of Counties, asked for continued funding for the Coal Board at 6.5 percent. Yellowstone County depends on health of surrounding counties and coal dollars do impact local communities including Billings.

Carl Van, Chairman of the Crow Tribe, expressed his appreciation for the assistance given Big Horn County and Crow Agency. The infrastructure is in serious need of repair and the tribe and community need the continued assistance of the coal impact funds.

Bob Gilbert, lobbyist for Rosebud County, offered his assistance on coal issues.

{Tape: 2; Side: A; Approx. Time Counter: 24 - 30}

Questions from Committee Members and Responses:

SEN. BUTCHER asked for "some numbers" on the coal royalties that have gone into each one of these counties in the last ten years.

SEN. NELSON asked about **Bill Kennedy's** reference to keeping the funding at the 6.5 percent level. **Todd Younkin** replied that he assumed the reference was to the 6.01 percent.

SEN. BUTCHER asked about what each county has received and where it has gone.

Newell Anderson stated he would obtain the information for Sen. Butcher.

SEN. TASH asked Mac Cole to respond to the 6.5 percent reference. **Mac Cole** stated that prior to SB183 which was a "de-earmarking" bill, there was 6.5 percent that did go to the Coal Board. After SB183, the 8.63 percent was adopted. This demonstrates a decrease going into the Coal Board for impact, down from the 6.5 percent to the four percent being spread out over three or four other items.

SEN. SHEA, referencing the Roundup area grant, inquired about a \$375,000 grant for the project over a five-year period. **SEN. SHEA** asked if the grant has to be renewed each biennium.

Newell Anderson responded that the grant is for a two-year period. It funds a feasibility study to allow for testing and drilling, and a report with the conclusions. The presumption is that the project will cost millions of dollars.

SEN. SHEA stated that she assumed that if the money is not continued, they are in limbo as far as their project. **Newell Anderson** confirmed **SEN. SHEA**'s assumption.

SEN. BUTCHER asked if the counties had planned for the inevitable rise and decline attendant to this kind of development.

John Doyle, Big Horn County Commission, responded, stating planning was done for roads, and a special fund was established, but problems and projects are ongoing and the funding was removed.

SEN. BUTCHER continued, asking what sort of planning was done on the county level. **John Doyle** replied that the money was spent at the time the funds were allocated. He added that the Coal Board is now assisting the Crow Tribe with water issues.

SEN. NELSON inquired of **Doug Schmitz** if the cut from these programs was part of the governor's proposal to take \$93 million, or if that was completely separate.

Doug Schmitz replied that these funds are separate.

{Tape: 2; Side: B; Approx. Time Counter: 1 - 27}

HEARING ON CONSERVATION DISTRICTS

Informational Testimony:

Ray Beck, Conservation and Resource Development Division, Department of Natural Resources (DNRC), stated he would be addressing the Conservation District funding from coal tax at this time with rest of the Conservation District budget to be heard later. He gave an overview of the structure of the Conservation Districts and described the local funding based on mill levies. The work load of Conservation Districts has been increasing as local governments look to the districts to deal with issues as districts provide a grassroots structure.

Ray Beck reported that the current Federal Farm Bill presents great potential for Montana conservation funding. Congress is looking to Conservation Districts nationwide to help with the implementation of the funding. **Ray Beck** presented details on the positive economic of the Farm Bill for several Montana counties, noting that these programs will impact the workload of Conservation Districts.

Ray Beck presented an overview of grant projects, often referred to as 223 Funding. Base funding is \$350,000. Projects highlighted included flat gate irrigation structures for water diversion, portable concrete block diversions, equipment purchase made available to landowners through rental, watershed projects, rural water system, and drought assistance installing a community well.

Ray Beck stated that Conservation Districts are the local leaders who are effectively addressing non-point source water pollution and natural resource issues in local watershed. Through the coal tax funding DNRC administers the watershed planning assistance grants. These grants are used for baseline resource information, watershed coordination and facilitation, watershed planning development, implementation and educational workshops. Big Hole Watershed Planning Assistance Grant, Middle Missouri projects, Milk River project and the Lower Missouri projects were highlighted.

Ray Beck addressed the Technical Grant Program Funding and the legal funds that come out of the coal tax. These grants relate to 310 Act, Streambed Land Preservation Act of 1975. Agriculture is about 39 percent of the applications funded. Approximately 1500 applications are received annually by Conservation Districts with an average cost of \$300. The program provides necessary expertise in review of the complex projects, advice regarding jurisdiction, assistance in modifying projects to minimize impacts, and assessment the potential impacts of violations.

Ray Beck stated that legal funds are derived from the coal tax and also are tied to 310 Permitting and are used for other projects. Most districts cannot afford liability insurance. Coal tax funding provides preventive legal services for contract review, bidding procedures, 310 Permitting violations, and personnel issues.

Ray Beck stated that Conservation Districts does receive some administrative funds from the coal tax with two other programs

using pass-through dollars. ENVIROTHON provides an educational opportunity in natural resource issues for students grade 9-12 statewide. The Salinity Control Program is partially funded through division budget but does receive some monies from coal tax.

{Tape: 2; Side: B; Approx. Time Counter: 27 - 30}

Proponents:

Jane Holzer, Program Director Montana Salinity Control Program, showed slides demonstrating the type of projects addressed by the project, highlighting those involving cooperation between landowners. The legislature has provided baseline funding which has been static since 1996 at \$225,000. The 2002 special session reduced that to \$208,000.

EXHIBIT(jnh03a06)

{Tape: 3; Side: B; Approx. Time Counter: 1 - 21}

Any funding reduction would impact liability insurance, equipment and other fixed costs. United States Department of Agriculture(USDA) saline control programs have brought in \$52 million dollars since 1989. **Jane Holzer** requested the Committee's support Conservation Districts in general and in particular Montana Saline Control Association at the current level.

Shonny Norlund, coordinator of Montana ENVIROTHON, reported that student participants have stated that the ENVIROTHON program has helped them become environmentally conscious. Ninety Montana students competed in 2002.

EXHIBIT(jnh03a07)

Mike Wendland, President of the Montana Association of Conservation Districts and Hill County Conservation District Board, urged support of continued Shared Coal Account funding to Conservation Districts. Any reductions of these programs would significantly impact the ability of Montana Conservation Districts to be leaders on local natural resource issues.

EXHIBIT(jnh03a08)

Barry Warrom, Chairman of the Executive Board of the Montana Salinity Control Association, described how the association set

up funding and began research. Information from this research has been applied successfully. The board maintains strict financial oversight of the association.

Mary Steckum, Supervisor Mile High Conservation District, Butte, spoke in support of the Coal Trust Funds for Conservation Districts use for grants. **Mary Steckum** highlighted the weed control project on the Big Hole River, working with private landowners in Deer Lodge Valley on the restoration of watershed project, and a grant used to look into water leasing.

Miles Knutson, supervisor, Roosevelt County Conservation District and Dry Prairie Rural Water Board member, outlined the Roosevelt County projects funded by the 223 Funds, citing cooperative projects with other agencies. Legal services are funded by the 223 Funds. The Dry Prairie Rural Water Fund depends on 223 Legal Fund grants to negotiate agreements with several agencies, tribes, towns and contractors. **Miles Knutson** concluded that the need for the continuation for 223 Legal Funds is crucial for these projects.

Alan Rollo, coordinator of the Sun and Teton Watershed, urged continued funding for projects as they demonstrate teamwork and actually save money for the state.

Gayla Wortman, Administrator for the Cascade County Conservation District, spoke of the importance of the Coal Tax Trust Funds earmarked for engineering and technical projects. **Gayla Wortman** described the use of engineering funds to conduct an assessment on the Missouri River corridor for the river as it flows through the city of Great Falls.

EXHIBIT (jnh03a09)

CHAIRMAN PATTISON asked that additional proponents introduce themselves, stating which group they represent. The following spoke briefly and submitted written testimony as indicated: **Roger Krebs; Pat Munday, Big Hole River Foundation and Watershed Committee; Jennifer Dwyer, Big Hole River Foundation and Watershed Committee; Roxann Lincoln, coordinator, Jefferson Watershed Council; Gary Amestoy, lobbyist for Richland Economic Development; Sharon Rau, Richland Economic Development.**

EXHIBIT (jnh03a10)

EXHIBIT (jnh03a11)

Tape: 3; Side: A; Approx. Time Counter: 24 - 32;

Questions from Committee Members and Responses:

SEN. SHEA asked **Shonny Nordlund** asked if EVIROTHON presents mining, ranching and logging in a positive light. **Shonny Nordlund** responded that project presents a conservationist view.

SEN. SHEA asked **Jane Holzer** if they would lose ability to collect user fees if they did not have funds for the outreach. **Jane Holzer** responded that the user fees depend on the funding for the initial contact.

SEN. BUTCHER asked **Ray Beck** where the bottom line is. **Mr. Beck** stated that less work gets done as funding is reduced. Projects would be dropped.

SEN. BUTCHER asked where the critical points for the next biennium are.

{Tape: 3; Side: B; Approx. Time Counter: 0.0 - 4.5}

REP. MUSGROVE asked **Ray Beck** how many projects have been cut and how many projects might be cut. Projects are prioritized by the Governor's Resource and Conservation Advisory Council. Future funds are not committed.

SEN. NELSON asked for a list of projects.

EXHIBIT (jnh03a12)

REP. RIPLEY inquired about the \$500,000 used for legal funds. **Ray Beck** stated that was the total budget.

Sarah Carlson, Executive Director of the Montana Association of Conservation Districts, addressed **SEN. BUTCHER'S** concerns over the lean times.

{Tape: 3; Side: B; Approx. Time Counter: 4.5 - 20; Comments: Reconsider vote on FWP Grounds Maintenance Increase Proposal}

The committee reconvened following a brief recess.

SEN TASH addressed reconsidering the proposed \$0.01 increase in the FWP maintenance assessment.

SEN. NELSON asked **Doug Monger** what FWP would do if the increase was not approved. **Doug Monger** replied that the cash balance would be at too thin a margin and services would have to be reduced. Vacant buildings within the capitol complex still have to be maintained and the same liabilities still exist.

SEN TASH asked **Doug Monger** if funds could be transferred. **Doug Monger** replied that the purpose of a proprietary fund is to make sure that each entity pays their fair share for maintenance.

Doug Monger stated a percentage of the increase is general fund. He proposed that the increase be approved and FWP rebate the general fund.

Doug Schmitz and Kelly Gorin stated the governor's office supported the increase. The low reserve fund had been written up in an audit.

REP. RIPLEY commented that FWP could get by another year at the bare minimum. **Doug Monger** replied that the budget amount shown anticipated the increase and that the "bare minimum" would be less than the amount shown.

CHAIRMAN PATTISON stated the committee would revisit the motion to not approve the increase in maintenance budget for capitol grounds.

{Tape: 3; Side: B; Approx. Time Counter: 18 - 20}

**EXECUTIVE ACTION TO RECONSIDER VOTE ON FWP MAINTENANCE RATE
INCREASE**

Motion/Vote: **CHAIRMAN PATTISON** moved that the Committee **NOT APPROVE A \$0.01 PER SQ FT INCREASE BY FWP FOR CAPITOL GROUNDS MAINTENANCE**. Motion carried 4-3 with **REP. MUSGROVE, SEN. NELSON, and SEN. SHEA** voting no.

HEARING ON Department OF AGRICULTURE

{Tape: 3; Side: B; Approx. Time Counter: 21 - 25;}

Ralph Peck, Director of the Department of Agriculture (DOA), introduced an outline of the Montana Growth Through Agriculture Program(GTA) and the Agriculture Marketing and Business Development, and introduced **Earl Bricker** and **Robert Hanson**, members of Agriculture Development Council.

EXHIBIT(jnh03a13)

Ralph Peck highlighted projects, funding and the attendant tracking. The economic impact to Montana of the GTA program is \$80,277,213 annually. The program has created a total 327.5 jobs. GTA funds \$90,000 year to the DOC to maintain the Foreign Trade Offices until this last year. Coal tax dollars have been rolled back to half of what was received in previous years.

Ralph Peck highlighted several projects in the GTA Program, including the Anheuser Busch barley malting facility proposed for Sidney, an ethanol cattle feeding facility in Miles City, new dairy facilities, and a new pork packing facility.

Ralph Peck stated they leverage federal dollars with GTA funds, noting discussions with the Canadian Pacific Railroad to have a competitive market to move grain in Montana.

{Tape: 3; Side: B; Approx. Time Counter: 26 - 31}

Robert Hanson, Agriculture Development Council, stated the applications are reviewed on a conservative basis.

Richard Moe, requested continued funding from the GTA program.

EXHIBIT(jnh03a14).

David Oien, Timeless Seeds, spoke in support of GTA citing its positive participation in his speciality grain processing and marketing business.

EXHIBIT(jnh03a15)

Lewis Hagen, Montana Genetics International, stated the GTA fund allowed for national and international trade missions.

EXHIBIT(jnh03a16)

Gary Amestoy, Richland Economic Development, highlighted several successful projects in Richland County, funded through GTA.

EXHIBIT(jnh03a17)

Proponents:

{Tape: 4; Side: A; Approx. Time Counter: 15 - 16}

CHAIRMAN PATTISON asked for proponents to introduce themselves, stating the group which they represented. The following spoke briefly and submitted written testimony as indicated: **Bob Gilbert, Montana Woolgrowers; Richard Owen, Montana Graingrowers; Mike Murphy, Montana Water Resources Association; Chris Christians, Montana Farmers Union; John Stemple, Montana Stockgrowers, Montana Cattlewomen, Association of MT Aerial Applicators.**

Questions from Committee Members and Responses:

{Tape: 4; Side: A; Approx. Time Counter: 16 - 28}

SEN. TASH asked **Ralph Peck** about GTA's approach to wise use of water resources. Overhead sprinkler systems are being used and recharge is affected by this. Water is a major issue in attracting new agricultural business interests.

SEN. NELSON asked **Robert Hanson** if they receive less funding would they approve fewer applications or give less money. **Robert Hanson** replied that they would probably give less money.

SEN. BUTCHER asked **Ralph Peck** about the failure rate of grants. The loan repayment rate is shown but some funding is for feasibility studies and as such, a "failure rate" isn't relevant.

SEN. BUTCHER, referring to the economic impact, asked for confirmation that it indicated the projects that are up and running. **Ralph Peck** stated there is a 9.9 percent loan default for GTA as of June 30, 2002.

{Tape: 4; Side: A; Approx. Time Counter: 28 - 30}

{Tape: 4; Side: B; Approx. Time Counter: 1 - 8}

HEARING ON STATE LIBRARY

Karen Strege, Director of the State Library, reported that the State Library used Coal Severance Tax to fund the Library Federation, Library Materials, and the Magazine Data Base, and highlighted the three projects. The budget reduction proposed includes eliminating the Federation Funding from Coal Tax and reducing the materials budget by \$53,800.00.

EXHIBIT (jnh03a18)

Lois Fitzpatrick, Montana Library Association, spoke in support of the budget appropriation for the Montana State Library. Library use increases in tough financial times. The Association requests continued full funding at 7.75 percent.

Jim Smith, Montana Library Association, addressed how a small agency is taking a big hit and asked the Committee to hold the line of 7.75 percent for the libraries.

Questions from Committee Members and Responses:

CHAIRMAN PATTISON asked **Karen Strege** if the materials distributed and the information available on the internet is screened in any manner. **Karen Strege** replied that some local libraries choose to filter some material. It is a local issue; the Commission does not control the information available on the local level.

CHAIRMAN PATTISON inquired if when funding is provided and a complaint is received about a library allowing objectionable material, would that affect the Association's funding. **Karen Strege** stated they had no authority to act on such a complaint or change the funding.

ADJOURNMENT

Adjournment: 12:25 P.M.

REP. JEFF PATTISON, CHAIRMAN

ELAINE OLSEN, Secretary

JP/EO

EXHIBIT (jnh03aad)